

# **EXHIBIT 26**

# Blanchard Training and Development, Inc.

*filed  
Paul Hersey*

**BTD**

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Escondido, CA 92025  
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12-13-67

TO: Associates

FROM: Ken Blanchard

RE: Good news about Situational Leadership

*copy to  
Marcel  
Dobbe*

I have some really good news about Situational Leadership and our relationship with Paul Hersey. As you know, not having a signed arrangement with Paul has been a very dangerous position for BTD to be in and has periodically resulted in legal documents and threats flying back and forth between our two companies. Recently, however, Paul became more willing to discuss two major negotiating areas:

- 1) A royalty free license to BTD from the Center for Leadership Studies to use Situational Leadership in any way we wish (with inspection rights by Hersey of the quality of products and services).
- 2) A continuation of Paul and Ken as co-authors of Management of Organizational Behavior.

As a result of discussions begun by Pat Zigarmi and Dale Truax about four weeks ago and continued by Dale, we have agreed on number one without inspection rights. For us the inspection rights was a deal killer. We didn't want Hersey looking over our shoulder. Getting the rights to use Situational Leadership now gives us all kinds of freedom and also ensures us that if Hersey ever sold his company to someone else we would have first dibs on buying out the Situational Leadership concept from any such deal. It also enables Paul or us to police the growing use of Situational Leadership by companies such as IBM and AMA who are boldly offering programs of that name.

In terms of Management of Organizational Behavior, Paul and I have agreed to co-author the 5th edition together. This was a deal breaker for Paul. MOB is his baby and he didn't want to let this classic die.

As you are all aware, I have continued to agonize around decisions which have to do with my relationship with Paul. Whether or not to publish this 5th edition of MOB has been one of those fluctuating issues. After having opened it up to you so often in the past I realized it was up to me to bite the bullet and decide. First of all, I agree with Paul that it would be a shame to let this classic die. Second, I feel that the Situational Leadership model as we created it (and as Hersey teaches it) is 80 to 90% right. I think we have made an important 10 to 20% change. I feel better about our model and think it is more helpful, but it is important to remember that Situational Leadership was alive and well and

Memo to Associates...  
(2)

being used all over the world before we made our changes. My feeling is that to expose students to Situational Leadership opens them up to the concept and readies them as potential customers in the future. My sense is that Hersey may not be a factor in the domestic market much longer and when people are looking for the best Situational Leadership training, obviously they will look towards us. Third, while the Situational Leadership model used in the text will be the one that was used in the original and subsequent editions, the revisions that we have made to the model at BTD will be referenced. Of greater importance, I believe, is the fact that two new chapters will exist in the text based almost exclusively on BTD instruments and cases. There will be a chapter about One Minute Management which will mention several BTD instruments: One Minute Goal Setting (Self and Other), the One Minute Manager Praising/Planning Guide, the One Minute Manager Reprimand/Planning Guide and the One Minute Manager Game Plan. A later chapter will cover the ABC's of Management and the PRICE System and reference work done for several BTD clients - Transco, Canadian Pacific and Fairweather.

I hope I'll have your support for these decisions. I feel better about going ahead with MOB than I did about either blocking Hersey from going forward or creating an entirely new text, particularly given my schedule and other priorities for BTD. Finalizing our legal use of Situational Leadership makes me feel even better - it's been a long, slow road. I'm tired of it and I appreciate your help and thinking in the past. Thanks to Pat and Dale for getting the ball rolling, and to Dale for successfully bringing this negotiation to completion. Let's have a drink!

I am enclosing a copy of "How To Find Out What Your Mission In Life Is" by Richard Bolles, the author of What Color Is Your Parachute. I think it's really fascinating and would love to talk to you all about it.

/et  
12/13/87

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